

STATE OF CALIFORNIA
CONSUMER POWER AND CONSERVATION
FINANCING AUTHORITY



TO: Board of Directors
California Power Authority

FROM: Sharon Hawkins, Deputy Director of Communications

DATE: April 9, 2002

**SUBJECT: PROGRESS REPORT ON INDUSTRIAL DEVELOPMENT BONDS FOR CLEAN
ENERGY IN MANUFACTURING**

We released the announcement of our Industrial Development Bond (IDB) program and proceeded with our marketing plan, as outlined in the last board packet. With the help of the California Energy Commission we were able to disseminate our announcement and program application package information to targeted stakeholders -- reaching over 4,000 organizations and/or manufacturers. Targeting groups and associations like the California Manufacturing & Technologies Association, American Solar Energy Society, Local Government Commission and the American Public Power Association, we have been able to reach their memberships to augment our original targets.

There is a prominent link on our website indicating the IDB opportunity. As we talk to organizations with websites like the California Industrial Development Financing Advisory Commission (CIDFAC) or the California Energy Commission (CEC) and independent associations, we work together to provide mutual links to each website.

In addition to the original packet, two more information pieces were developed:

- 1) A flyer (attached) was created through collaborative efforts between the California Power Authority (CPA) and the CIDFAC. CIDFAC distributed the flyer from their booth at the CALED Economic Development Conference April 3rd through the 5th. The flyer will also be used as collateral material for CPA speaking events and presentations when appropriate.
- 2) The CPA developed a fact sheet (attached), highlighting current projects and activities of interest to business and industry, for a workshop held by the Silicon Valley Manufacturing Group. The fact sheet will be used when appropriate for additional outreach efforts.

April 9, 2002

The CPA continues to contact business and energy product companies to be sure that our information was received and to seek ways to notify the organizations' memberships through direct mail or its newsletter of the IDB opportunity. We have had several newsletter articles and trade publications mention our program (see in attached clippings) already and we will continue to pursue the outreach.



California Power Authority

Industrial Development Bonds For Energy Financing

\$30 MILLION IN TAX-EXEMPT FINANCING

AVAILABLE NOW

Borrowers must qualify as eligible manufacturers for Industrial Development Bond (IDB) financing:

- General manufacturing companies that will use bond proceeds to purchase and/or install renewable energy systems equipment, energy-efficient equipment, or clean distributed generation systems.
- Companies wanting to establish or expand the production of renewable energy and/or clean distributed generation systems or components.

Bond proceeds must be used to finance eligible systems or technologies, as illustrated under Eligible Equipment and Technologies below.

Minimum loan size is \$500,000.

Maximum loan size is \$10,000,000.

For more information please participate in an informational teleconference session Wednesday, April 17, 2002 at 10:00 am (PDT). Check the California Power Authority's website www.capowerauthority.ca.gov one week prior for the call in number and participant code, as well as program details.

Applications for 1st Round Funding should be **SUBMITTED NO LATER** than May 21st, 2002.

For more info contact:

**California Power Authority
Energy Financing (IDB)**

901 P Street, Suite 142A
Sacramento, CA 95814
Tel. (916) 651-9750
Fax (916) 651-9595

E-mail questions to:
Sharon.Hawkins@dgs.ca.gov
www.capowerauthority.ca.gov

Eligible Borrower:

■ Borrower must be a Manufacturer or Processor. Bond proceeds must be used to finance manufacturing or processing facilities and/or equipment. Generally, manufacturing or processing entails the production of tangible personal property or value added processing.

■ Borrower has a \$10 million capital limit of total capital expenditures incurred in the same public jurisdiction as the project during the period beginning three years before the bonds are issued and ending three years after the bonds are issued.

Eligible Equipment and Technologies:

I. Installed At Eligible Manufacturing Facilities

The following list should be considered illustrative and neither exhaustive nor all-inclusive.

General Efficiency Technologies

- | | |
|---------------------------------|---|
| ■ Electric Motor Driven Systems | ■ Steam Systems |
| ■ Power Quality | ■ Sensors and Controls |
| ■ Lighting | ■ General Industrial Process Applications |
| ■ Energy Metering | ■ Load Management |

Industry Specific Examples of Energy Efficiency Technological Applications

Cleanroom & Laboratory Technologies

- Hoods, fans, filters, etc.

Chemicals

- Ultrasonic tank cleaning
- Variable frequency microwave furnaces
- Concurrent Distillation
- Recycled plastics used for durable goods manufacture
- Advanced fume hood technologies

Electronics

- Sulfur trioxide cleaning of semiconductor wafers

Petroleum

- Absorption heat pump/refrigeration
- Biphase rotary separator turbine
- Catalytic distillation
- Robotic inspection of storage tanks

Agriculture & Food Processing

- Ozone based Disinfectant Technologies
- Membrane Technologies
- Infrared Technologies

Aluminum

- Waste recovery systems
- Oxygen enhanced combustion
- Recycling of Aluminum Dross

Glass

- Advanced temperature measurement systems
- Oxy-fuel firing

Metal Casting

- Laser based laminated object manufacturing

Distributed Clean Energy Generation Technologies (Both Renewable and Non-Renewable)

The most likely available DCE technologies to be applicable to industries are Photovoltaic, Solar Thermal Electric, Fuel Cells Using a Renewable Fuel, Small Wind Turbines, Biogas, and Biomass technologies.

II. New or Expanded Production Facilities to Manufacture Clean Generation Components or Systems

This will help businesses that produce clean energy generation equipment to locate or expand their manufacturing or assembly operations in California.

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CPA Mission

The Legislature created the California Power Authority (CPA) to:

- Furnish the citizens of California with reliable, affordable electrical power,
- Ensure sufficient power reserves,
- Assure stability and rationality in California's electricity market,
- Encourage energy efficiency, conservation, and renewable energy resources, and
- Protect the public health, welfare and safety.

CPA Investment Strategies

- Clean Energy Financing
- Strategic Power Reserves
- Greening Public Buildings

Current Projects and Activities of interest to Business and Industry
See table on reverse side

Expanded Information on CPA's Proposed Demand Reserves Program

Program would start via a CPA contract with DWR. Features:

- Phase 1, CPA schedules reserves with the ISO to reduce its purchase of Reserves/Ancillary Services and energy; participants paid monthly via Aggregators for dispatchable and immediately verifiable capacity.
- Phase 2, contracts assigned to utilities with reserves scheduled for their benefit.
- The savings in ancillary services and wholesale costs offset the CPA payments. Demand reserves are 20-50% lower cost than interruptible rates or peakers.
- Program can operate to target areas with local reliability problems.
- Statewide program where all end users – no matter who their utility or energy service provider -- can participate.
- Flexible - can be used for ancillary services, peak shaving, or emergency control.

Contact Information:

Sharon Hawkins, Deputy Director of Communications

California Power Authority

Tel: (916) 651-9750

901 P Street, Suite 142A Sacramento, CA 95814

www.capowerauthority.ca.gov

Power Authority Projects & Activities Under Development	Power Resource Goal
Clean Energy Financing	
<ul style="list-style-type: none"> Negotiating potential long-term power sales for 200+ MW existing renewable generating resources 	<ul style="list-style-type: none"> Secure readily-available power resources for state in 2002
<ul style="list-style-type: none"> Negotiating to own/finance 1000 MW of new renewable power projects 	<ul style="list-style-type: none"> Achieve statewide goal for convertibility of renewable power to state's generator mix
<ul style="list-style-type: none"> Small Issue Tax-Exempt industrial development bonds of \$30 million available now for clean energy projects and manufacturing 	<ul style="list-style-type: none"> Onsite generation for higher reliability, 15 MW supply, & on-site use of waste heat. Increased manufacture and sale of DG technology
<ul style="list-style-type: none"> Upcoming: Financing distributed generation on commercial & industrial facilities, via technology manufacturers & developers 	<ul style="list-style-type: none"> Distributed generation ensures higher power reliability for 25 MW load per \$50 million loaned
<ul style="list-style-type: none"> Upcoming: Energy efficient (EE) "Cool Roofs" loans to business. White, reflective roof materials will cut A/C costs & extend roof life 	<ul style="list-style-type: none"> Air conditioning on-peak savings of 25 MW for each \$50 million loaned.
<ul style="list-style-type: none"> Upcoming: Energy efficiency loans to businesses, with repayment proposed to CPUC via utility bills, can treat efficiency as operating cost covered by bill savings 	<ul style="list-style-type: none"> Energy efficiency plus 50 MW peak reduction per \$100 million loaned
Strategic Power Reserves	
<ul style="list-style-type: none"> San Francisco Peaking Power Plant is an approximately 50 MW electric generating facility to be located at the San Francisco International Airport 	<ul style="list-style-type: none"> To increase the reliability of electric distribution on the San Francisco Peninsula
<ul style="list-style-type: none"> Announcement forthcoming: Demand Reserves ("Greening the Peak") Statewide program to dispatch load reduction that offsets DWR ancillary services charges. 	<ul style="list-style-type: none"> Can provide 500-1000 MW this summer & 1900 MW long-term. Reduces risk of blackouts due to transmission grid congestion, and ancillary service costs. Can operate for localized reliability
<ul style="list-style-type: none"> Real-Time Meter loans for users <200 kW demand. Financing private deployment of advanced metering captures multiple benefits for utilities, customers, and state power system 	<ul style="list-style-type: none"> 100-300 MW peak load reduction, energy bill savings, and meter/ communications capacity for future demand-response programs
Greening Public Buildings	
<ul style="list-style-type: none"> Distributed generation aggregated procurement (solar, fuel cell, or microturbine) to drive down technology price via large-scale purchase commitments. 	<ul style="list-style-type: none"> Each \$120 million should produce 20MW solar, or greater amounts of other distributed generation
<ul style="list-style-type: none"> Upcoming: Public Agency Loan Pool - Statewide tax-exempt loans will offer economies of scale in bond issuance & administrative costs. 	<ul style="list-style-type: none"> Produces 25 MW peak load reduction and 110 MWh of energy savings per \$50 million loaned

Contribution to State Energy Policy and Regulation in Support of CPA's Strategies

Participating in CEC & CPUC proceedings on:

- Distributed generation policy and regulations
- Generation procurement and renewable resource development
- Energy efficiency